The Power of Loyalty in Lottery and Gaming

New Horizons Conference |
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October 2024

Hi, I'm Dima.
I am an expert in loyalty,
not player health!

Let's Get Started.

1

Think about... <u>scratch cards</u>.

What have they encouraged you to do?

2

Think about... <u>organizations you are loyal to</u>.

What has that loyalty resulted in?

Let's Explore Together.

We will challenge a common assumption today.

The assumption that scratch cards, giveaways, or points programs are the center of loyalty.

The power of loyalty is so much more.

Let's explore together:

How can we take what we have learned from leading loyalty programs and apply it to the lottery and gaming industry?

What Is Customer Loyalty? (1/2)

1 *Loyalty is a promise between a brand and a customer*

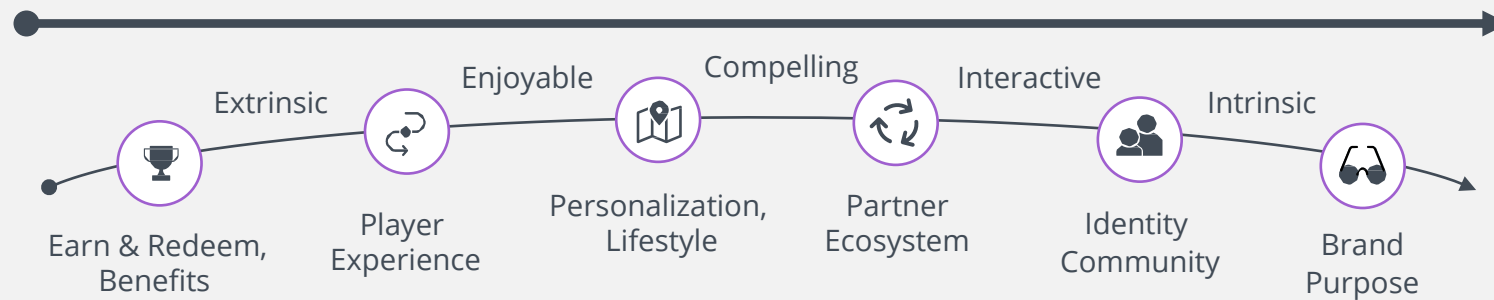*Loyalty is **built over time;** a series of consistent customer interactions are required to build trust*

*In today's environment, both **financial AND emotional** loyalty are required to win over customers*

THE LOYALTY SPECTRUM

Short-Term:
Transaction-based

Share of Wallet

Extrinsic

Earn & Redeem, Benefits

Enjoyable

Player Experience

Compelling

Personalization, Lifestyle

Interactive

Partner Ecosystem

Intrinsic

Identity Community

Brand Purpose

Long-Term:
Emotionally-based

Share of Heart

What Is Customer Loyalty? (2/2)

2 **_Loyalty extends beyond the boundaries of a program_**

Loyalty is **any effort** an organization makes to attract or retain a customer, or encourage them to act in certain ways
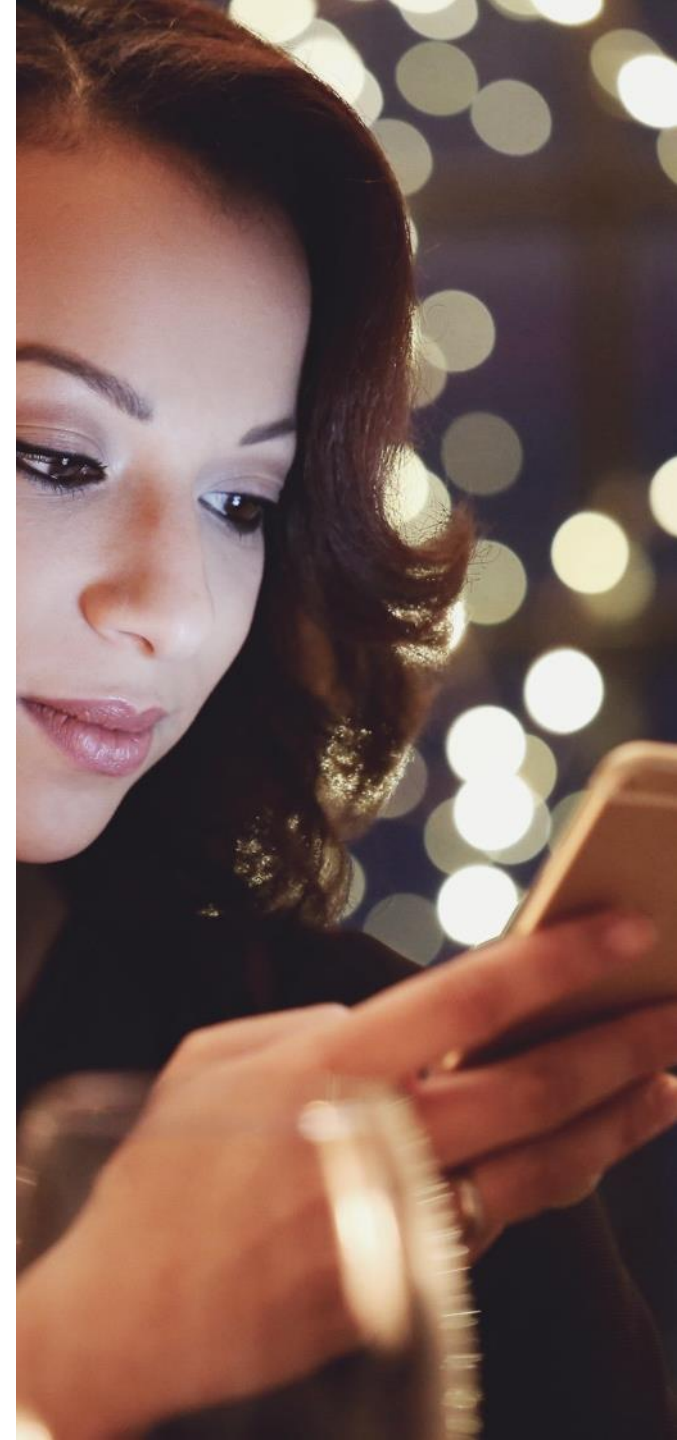
Programs, personalized experiences, exceptional service, and shared values are **among the many ways** to drive loyalty
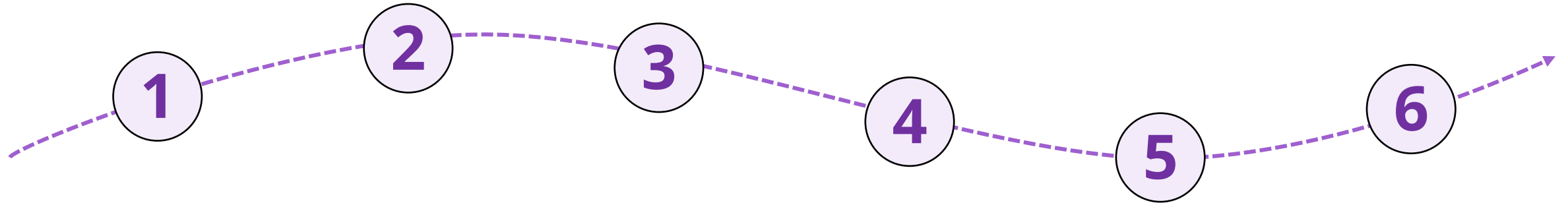
3 **_Loyalty rewards are far more than points_**

Organizations can **reward** their customers in many ways (financial or otherwise!)

Discounts, experiences, or access to content or events are all ways companies are **making customers feel valued**

How Can Loyalty Mechanisms Drive Behaviour Change?

Throughout their journey, loyalty mechanisms can get customers to...

| 1 | 2 | 3 | 4 | 5 | 6 |

| LEARN MORE ABOUT YOUR BUSINESS | TRY YOUR PRODUCT ONCE | COME BACK TO TRY IT AGAIN | TRY SOMETHING DIFFERENT | COME BACK TO YOU AFTER TIME | SAY GREAT THINGS ABOUT YOU |

LEARN MORE ABOUT YOUR EXISTING BUSINESS

1

- Loyalty can **spark curiosity amongst customers**. Efforts early in a customer's journey can be used to....

  − Prompt customers to research your brand

  − Encourage customers to ask friends or family about your brand

  − Incent customers to inquire and sign up for your program

In Market Example

- PC Health offers a strong financial incentive **($5-$8 in loyalty points)** for downloading the app and inputting basic contact information

- **Enrollment or sign-up bonuses** are often awarded to entice users to read about the program, sign-up, and even explore the offering / interface

PC Health™

2 TRY YOUR PRODUCT ONCE

- Continued efforts early in the customer journey are often used to **encourage trial / drive uptake,** and excite users

  - 'Trying' a product does not necessarily meaning 'buying' a product

In Market Example

- Spotify offers a generous three-month free trial for new users who haven't tried Premium before

- This allows users to experience the benefits of ad-free music, offline listening, and enhanced sound quality without paying initially; with the goal to entice you to try this enhanced product
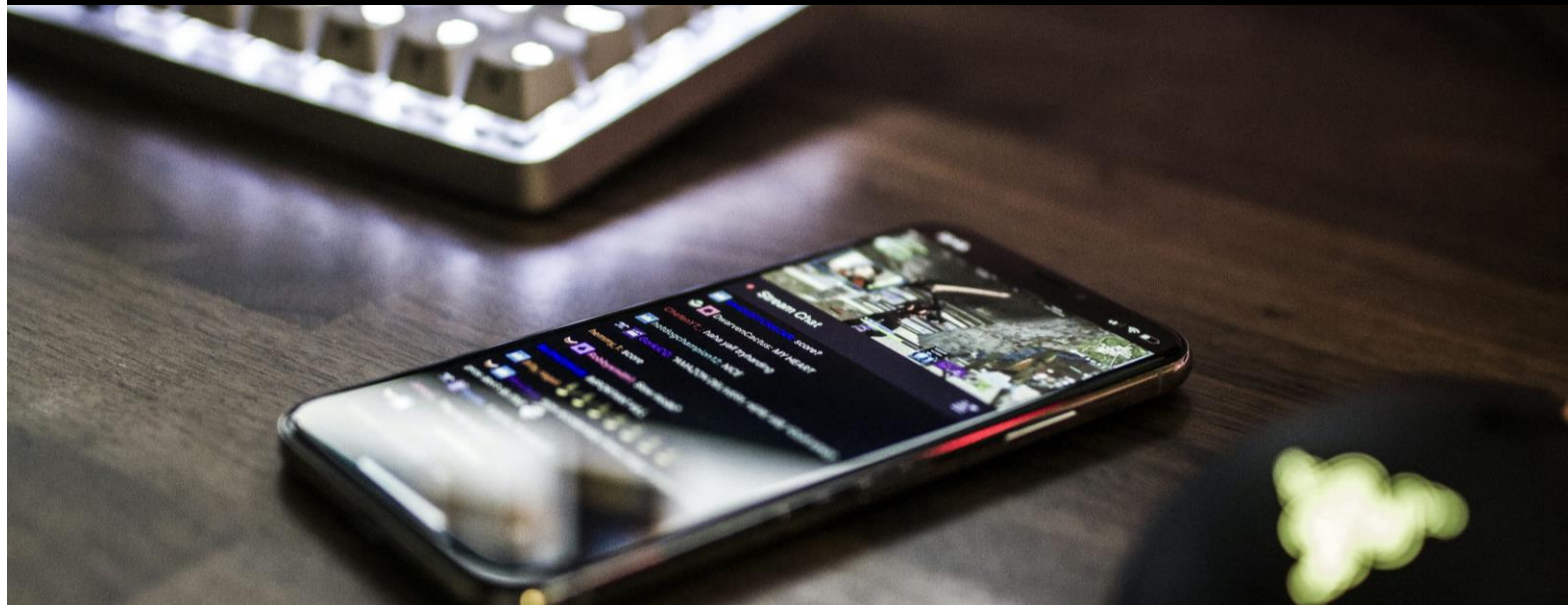
3 | COME BACK TO TRY IT AGAIN (AND AGAIN)

- Once a customer has engaged with the organization, loyalty mechanisms can be used to:

  – **Encourage repeat behaviours** (e.g., gamification)

  – **Keep users excited** (e.g., personalized content)

In Market Example

- Optimity drives day-to-day member engagement by sharing **micro-activities** (e.g., quick exercises, stretches, nutrition quizzes) and **themed challenges**

- Rewards are lower than comparable wellness applications, however engagement with the application remains high as users find value in Optimity's content

- Optimity has indicated high user engagement, with **43% of members actively engaged after the first 12 months**

❋ Optimity

4 TRY SOMETHING DIFFERENT

- Once fully engaged and a trusted-relationship exists between the organization and the customer, loyalty can be used to:

– **Encourage users to engage in trial**
 (e.g., try a new game)

– **Change their behaviours**
 (e.g., shift to less risky games)

In Market Example

- Humana's Go365 allows users to earn points / rewards for preventative activities, community events, and completion of verified workouts

- Members can earn $5 in rewards each month for completing 8 verified workouts or $10 for 16 workouts (minimum 5,000 steps daily)

- For preventative care activities (e.g., flu shots, dental exams, biometric screening), members must upload a document as proof to earn rewards

- A five-year study conducted by Humana demonstrates a positive correlation between long-term engagement in Go365 with employee health, improvements in healthcare cost savings and productivity

5 COME BACK TO YOU AFTER A PROLONGED TIME PERIOD

- If you notice a customer has lapsed or become disengaged, loyalty mechanisms can be used to:

  – **Re-engage users**
    (e.g., offering incentives to restart streaks or maintain good habits)

  – **Ensure customers feel valued**

In Market Example

- Sephora effectively uses its Beauty Insider program to **re-engage members after a prolonged period** and encourage continued engagement and / or spend

- Through the Beauty Insider Program, **Sephora uses several tactics to 'pull customers back,'** including personalized offers based on prior purchases, temporary tier upgrades, limited-time promotions, or reminder emails highlighting exciting news (e.g., new product launches, exclusive offers)

SEPHORA

6 SAY GREAT THINGS ABOUT YOU AND YOUR PRODUCT

- Users who have positive experiences with your brand and / product, become champions. These champions:

  – **Create earned media online** (e.g., advocate for the program through online likes, comments, mentions, or reviews)

 – **Drive in-person word of mouth** (e.g., social interactions)

In Market Example

- Tesla uses a referral program to reward its customers for making recommendations to new customers

- The more recommendations that a customer makes; the higher the level / tier of reward they achieve

- Rewards can include things like: exclusive invitations to product launch parties, free supercharging miles, etc.

What Are <u>Some</u> Key Principles of Loyalty?

Cultivate trust by making promises and consistently delivering on them

Offer value beyond monetary rewards that create psychological motivations

Engage players throughout their lifecycle, not just during one-off actions

Personalize interactions to serve customers in ways that matter to them

Leverage partnerships to create new ways of engagement

Empower employees to become champions of the program
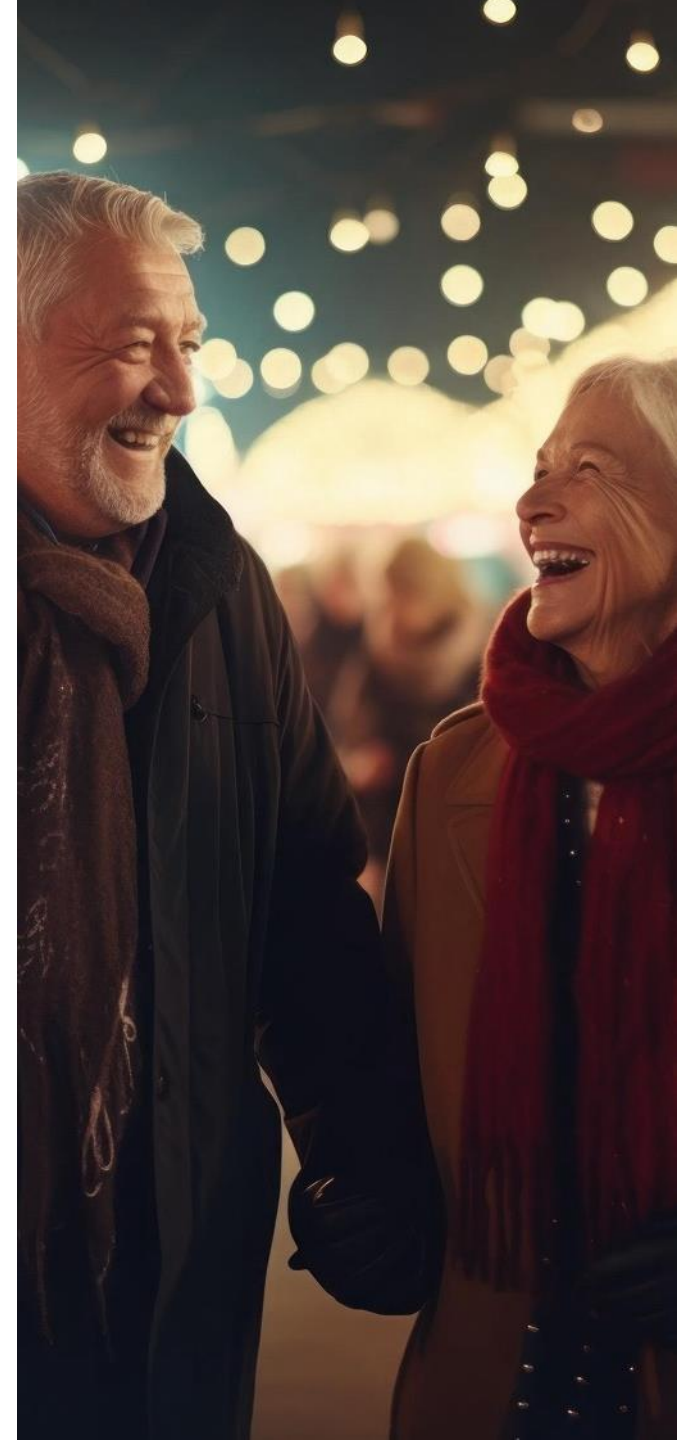
How Might We Adapt Loyalty Mechanisms to Drive Healthy Play?

Know and understand your players

- *Know what types of mechanisms may encourage different behaviours*

Reward players for more than their spend

- *Reward players for healthy streaks or for staying within limits*

Recognize players in meaningful ways

- *Personalized offers or experiences*

Offer rewards / aveneues beyond free play

- *Explore partnerships to extend types of rewards*

What Are Inherent Strategic Tensions Organizations Need To Address?

ORGANIZATION-CENTRIC	**1**	PARTNER-CENTRIC
EMPHASIS ON ALL REVENUE	**2**	EMPHASIS ON HEALTHY REVENUE
INCLUSIVE	**3**	EXCLUSIVE
PRODUCT-SPECIFIC	**4**	ENTERPRISE-WIDE
REWARDS CONSISTENCY	**5**	REWARDS CHOICE
PERSONALIZED EXPERIENCE	**6**	INVASIVE EXPERIENCE
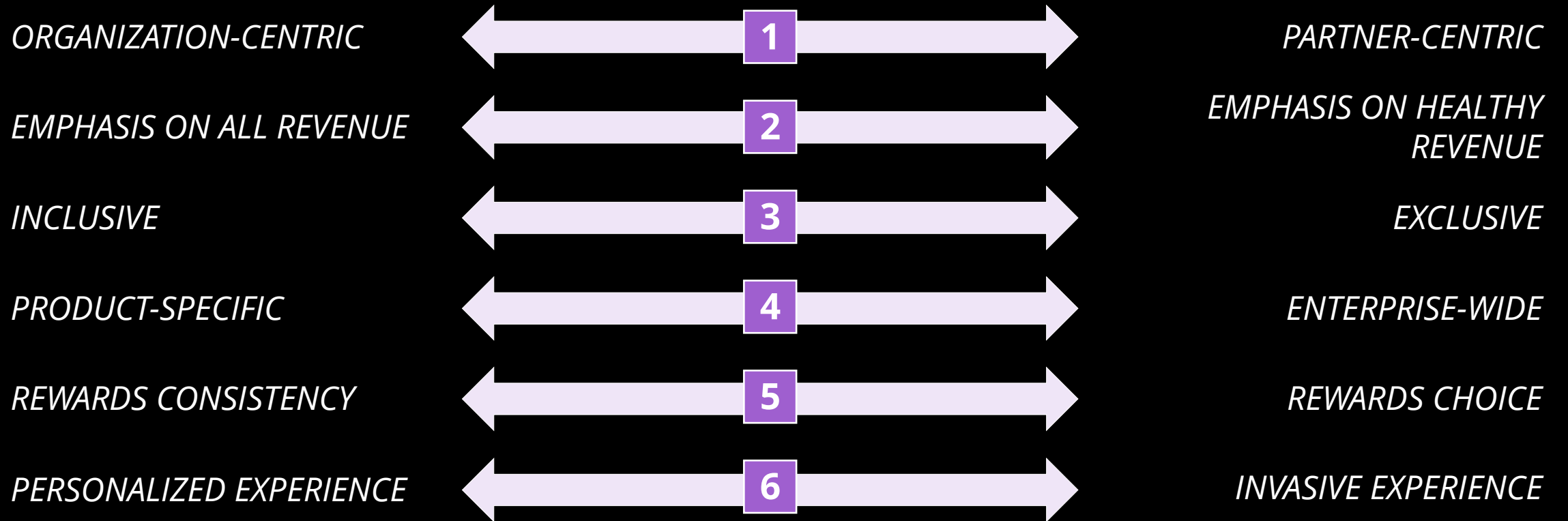
What Capabilities Does An Organization Need to Execute?

Leading programs are fueled by modern and thoughtfully orchestrated engines / MarTech platforms

STRATEGY

- Program Strategy & Design
- Program Admin & Management
- Cobrand Strategy
- Partner Benefits
- Partner, Enroll, Deposit, & Redemption
- Partnership & Alliance Strategy

OPERATIONS

- Rewards Fulfillment
- Rewards Management
- Maintenance
- Safety & Security
- Member Issue Processing & Resolution
- Program Fraud Management
- On-Site Program Procedures

FINANCE

- Dynamic Pricing
- Order and Payment Management
- Point Lifecyle
- Program Pricing
- Redemptions
- Financial Accounting
- Audit Management

MARKETING

- Advertising
- Audience & Segmentation Management
- Behavioral Targeting
- Campaign Management
- Asset & Content Management
- Personalization
- Reporting & Metrics

CHANNELS/TOUCHPOINTS

Cross / Omni Channel Orchestration	Mobile Web
Call Center	Point of Sale
Display Ads	Search Engine
Email	SMS
Influencers	Social
In Person	Website
Mobile App	

CUSTOMER EXPERIENCE

Community Engagement	Experience Management	Gamification	Member Status & Redemption	Offer Management	User Experience	User Feedback

DATA MANAGEMENT

Data Strategy & Governance	Customer Data Management	Consent Mgmt. / Privacy	Customer Behaviors	Data Commercialization / Monetization	Enrollment Management	Enterprise Data Platform	Analytics & Insights	Preferences & Interests	Recognition, Badging, & Indicators

How Can Organizations Get Started Today?

1

Define your **vision**, in the context of your broader organizational vision

2

Define **objectives** and ensure they align with your broader direction

3

Align on the **priority outcomes** that will be used to measure success

4

Conduct **research** to understand what is desired by customers

5

Segment customers into **different groups** based on common needs

6

Design an **offering** that anchors on research and addresses tensions

7

Identify the **resources** to execute; adjust the design as needed

8

Identify the **requisite partners** to bring the design to life!

9

Develop **a plan**, including work efforts, owners, and timelines

10

Keep **an open mind** – learn as you go and be iterative with your thinking!

Thank you.

Questions?

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